P.A.C. No. 642

PUBLIC ACCOUNTS COMMITTEE (1978-79)

(SIXTH LOK SABHA)

NINETY-FIFTH REPORT

(MINISTRY OF DEFENCE)

[Action taken by Government on the recommendations of the Public Accounts Committee contained in their 1st Report (Sixth Lok Sabha).]

Presented in Lok Sabha on :

Laid in Rajya Sabha on :

LOK SABHA SECRETARIAT
NEW DELHI

November, 1978/Kartika, 1900 (S)

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INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Ninety-fifth Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their First Report (6th Lok Sabha) on Defence Services commented upon in paragraphs 30, 33 and 38 of the Report of the Comptroller & Auditor General of India for the year 1974-75, Union Government (Defence Services) relating to the Ministry of Defence.

2. On 31 May, 1978 an 'Action Taken Sub-Committee' consisting of the following Members was appointed to scrutinise the replies received from Government in pursuance of the recommendations made by the Committee in their earlier Reports:

1. Shri P. V. Narasimha Rao—*Chairman*
2. Shri Asoke Krishna Dutt—*Convener*

MEMBERS

3. Shri Vasant Sathe
4. Shri M. Satyanarayan Rao
5. Shri Gauri Shankar Rai
6. Shri Kanwar Lal Gupta

3. The Action Taken Sub-Committee of the Public Accounts Committee (1978-79) considered and adopted the Report at their sitting held on 17 October, 1978. The Report was finally adopted by the Public Accounts Committee (1978-79) on 10 November, 1978.

4. For facility of reference the conclusions/recommendations of the Committee have been printed in thick type in the body of the Report. For the sake of convenience, the conclusions/recommendations of the Committee have also been appended to the Report in a consolidated form.

5. The Committee place on record their appreciation of the assistance rendered to them in this matter by the Comptroller & Auditor General of India.

NEW DELHI;
November , 1978.
Kartika , 1900 (*S*).

P. V. NARASIMHA RAO,
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

1.1. This Report of the Committee deals with the action taken by Government on the Committee's conclusions|recommendations contained, in their 1st Report (Sixth Lok Sabha) on paragraphs 30, 33 and 38 of the Report of the Comptroller and Auditor General of India for the year 1974-75, Union Government (Defence Services).

1.2. Action Taken Notes* in respect of all the conclusions| recommendations contained in the Report have been received from Government and these have been categorised as follows:

(i) *Conclusions/recommendations that have been accepted by Government:*

Sl. Nos. 1-4, 10, 14, 19, 24, 27.

(ii) *Conclusions|recommendations which the Committee do not desire to pursue in view of the replies received from Government:*

Sl. Nos. 5, 8-9, 11-13, 15-18, 20, 23, 25-26, 28, 33-35.

(iii) *Conclusions|recommendations replies to which have not been accepted by the Government and which require reiteration:*

Sl. Nos. 6-7, 29-32.

(iv) *Conclusions/recommendations in respect of which Government have furnished interim replies:*

Sl. Nos. 21-22.

1.3. The Committee will now deals with the action taken by Government on some of their recommendations.

Procurement of Kittable bodies (Paragraphs 1.42 and 1.43—Sl. Nos. 6 and 7).

1.4. Expressing concern over the fact that it took the Department 4 years and 8 months to discover the disadvantageous features of the kittable body and before these could be noticed, bulk order for purchase of 5,250 more kittable bodies was placed on 4 firms, the

*Action taken Notes from 1 to 12 not vetted by Audit.

Committee in the above-mentioned paragraphs had commented as under:

> "The Committee are constrained to point out that the time lag of two years from November 1966 to November 1968 between the approval of the design by the Army Headquarters and the date of switch-over proposed by the Department of Defence Production should have been utilised for conducting extensive trials on the prototypes of the new design. The Committee have no doubt that had this been done the disadvantages of the kittable body which came to light in June 1972 could have been realised much earlier.
>
> The Committee are indeed surprised that in case of a developmental item like this the Department of Defence Production did not bother to carry out even a cost-benefit evaluation of the change-over before giving clearance for the new design. It took four years and eight months for the Department to discover the disadvantageous features of the kittable body and the high extra cost involved It is unfortunate that even though as many as 475 kittable bodies had been obtained through a trade source between January 1968 and April 1971, from conclusions as to the basic utility and economics of the change-over were reached only by September 1972 by which time bulk orders for 5,250 kittable bodies had already been placed on as many as four firms. The Committee consider that if only the various Departments concerned with the project, *i.e.*, the Defence Research and Development Organisation, the Department of Defence Supplies, the Department of Defence Production, the Director General, Ordnance Factories and the Vehicle Factory had worked in close concert and shown sufficient concern about the technical and financial implications of the change-over, the project would not have been proceeded with in this manner."

1.5. In their reply dated 6 July 1978, the Ministry of Defence (Department of Defence Supplies) have stated as under:

> "The prototype was tried out successfully during May/June 1966 and no further trials were contemplated after introduction of kittable body in service.
>
> It may, however, be mentioned that it was not possible to work out the cost benefit analysis with any exactitude.

The defects in the kittable bodies came to notice only when the production of the vehicles with kittable bodies in VFJ was undertaken and action was initiated to switch back to composite bodies."

1.6. The Committee find the reply of the Ministry to their recommendation in paragraph 1.42 of the Original Report, to say the least, perfunctory. The Committee had, in their recommendation, pointed out that a time-lag of 2 years from November 1966 to November 1968 between the approval of the design by the Army Headquarters and the date of switch-over proposed by the Department of Defence Production should have been utilised for conducting extensive trials on the prototypes of the new design. In reply, the Ministry have stated that "the prototype was tried out successfully during May/June 1966 and no further trials were contemplated after introduction of kittable body in service." Since the switch-over to the kittable bodies was from November 1968, the reply does not meet the point. It is precisely the non-contemplation of any trials after the approval of the design in November 1966 until its introduction in service, which has been criticised by the Committee and this holds good notwithstanding the aforesaid reply of the Government.

The reply of the Ministry to the recommendation contained in para 1.43 of the original Report is merely a restatement of their contention before the P.A.C. (1977-78) that "as regards quantifying the advantages of kittable bodies in financial terms, it is not possible to give a figure in terms of money value as a number of elements.... cannot be evaluated accurately." (of. para 1.8 of the original Report). The Committee had not accepted to this view of the Government and had observed that "in the case of a developmental item like this, the Department of Defence Production did not bother to carry out a cost benefit evaluation of the change-over before giving clearance for the new design." The reply of the Government to this observation that "it was not possible to work out a cost benefit analysis with any exactitude" appears to the Committee utterly unconvincing. The Committee reiterate that the cost benefit evaluation of the change-over before giving a clearance for the new design was possible and should have been made. The Committee, while regretting the evasine attitude of the Ministry in this case, recommend that in future before any new item/design is approved for introduction in service, a cost benefit analysis should invariably be made and its results seriously taken into consideration before taking a final decision.

Cargo Ropeway

(*Paragraphs* 3.23-3.26—*Sl. Nos.* 29—32)

1.7. Commenting on the fact that the revised sanction for purchase of 183 trolleys was issued in December 1967 even though it was pointed out by the Chief Engineer, Bengal Zone in September 1967 that these trolleys/suffered from the inherent flaw and also the road serving the area had been brought to proper class 9 stage by November 1966, the Committee had observed in the above-mentioned paragraphs as under:

> "The Committee observe that even after incurring an expenditure of Rs. 15 lakhs on purchase of trolleys, spares, works etc., the capacity of the ropeway could be increased only to 19/88 tons per day as against 40 tons envisaged. The actual utilisation was much less—the maximum being a bare 16 tons per day on an average in 1967. The Committee find that since the ropeway was designed on monocable system and driven by diesel engine, it required counter or balancing load for minimising sag and maintaining uniform speed of the ropeway. It was the non-availability of counter load and also because of the varying types of barrels that adequate pressure between the rope and the sheeves/ pulleys could not be built up and the trolleys fell making them unserviceable. Thus, out of a total holding of 270 trolleys, as many as 209 had to be written off/condemned as unserviceable, leaving only 61 serviceable trolleys as in August, 1975.
>
> So far as operational reasons for acquiring/retention of the ropeway are concerned, the Committee find that the road serving the area had been brought to proper class 9 stage by November 1966. On the other hand, the revised sanction for purchase of 183 trolleys was issued a year later *i.e.* in December 1967. The Ministry stated that "a review in 1967 from the operational angle showed continued necessity to hold on to it and that it would be indispensable if hostilities broke out."
>
> In this context the Committee would like to point out that the Chief Engineer, Bengal Zone had pointed out as early as in September, 1967 that "the ropeway design is based on balanced loading both on forward and reverse directions and as such, it is imperative that the return loads are also provided". The least that the Army authorities

should have done was to make sure that the ropeway as designed could in fact carry the load in an assured manner to meet the operational requirements in the event of hostilities breaking out etc. The Committee need hardly point out that had this matter been gone into critically, the Army authorities would have realised that the ropeway as designed suffered from basic handicaps and that unless these were set right, it would not be prudent to invest large sums of money by ordering additional trolleys, undertaking works etc. at an expense of Rs. 15 lakhs.

Another aspect which the Army authorities should and ought to have fully taken into account was the development by November 1966 of the road between these two operational points by the Border Roads Organisation to the level of Class 9. Instead of investing more money in trolleys which suffered damage and became unserviceable due to inherent flaw in the design of the ropeway, it would have obviously been better to invest a part of this money for effecting improvements in road and/or acquiring additional road transport to meet any operational contingency. In any case, the Committee cannot see why the Army Authorities did not take effective action to cancel the order for the additional 183 trolleys in 1967 after it had come to notice that the ropeway suffered from this basic design flaw and saved at least Rs. 8.76 lakhs spent on additional trolleys."

1.8. In their reply dated 5 June 1978, the Ministry of Defence have stated as under:—

"Army has had earlier no experience in running any such ropeway. The ropeway was designed entirely for a different purpose for ferrying commercial produce between India and Tibet. The deficiencies in operating the system came to light only as a result of examination of the situation arising out of putting more trolleys on the ropeway. The number of trolleys written off/condemned includes normal wastages and damages in operation.

Experience has shown that newly built roads are not a very reliable means of transport in the initial stages in hilly regions and in places like Sikkim newly constructed roads take several years to stabilise, as during the earlier years of use, interruption of the roads due to land slides and

rockfalls are very frequent. As the years go by, the instances of land-slides and rockfalls gradually diminish. The road in question had not stabilised by 1967 and hence it used to be closed to 3-ton vehicles on a number of occasions, Operational reasons dictated the requirement of having a stand-by to the only road axis available in the area. In March, 1967, it was assessed that the ropeway would have to be retained as an Operational necessity even though alternative road transport facilities were available. A similar view was taken by Military Operations Dt. again in October, 68. As such the assessment for retention of the ropeway and its continued use was made on the basis of operational requirements and as long as this necessity existed, there was no question of making an assessment of economics of the arrangements.

The proposal to use stone ballast on the return journey as counter balancing load was mooted by CE Bengal Zone in Sept' 67 on the surmise that the increase in the rate of falling down of trolleys was attributable to the trolleys being empty on the return journey. However, the arrangements for the transportation of stone ballast as counter-loads were not considered feasible due to the high costs involved. At this time when the additional trolleys were sanctioned and orders for undertaking other works etc. were issued, considerable use of the ropeway was being made. In the circumstances, the expenditure involved on trolleys/works etc. was considered as unavoidable as this was an operational requirement.

The decision to take over the ropeway was taken in the context of the need to effectively ensure supplies to the forward formations in a very sensitive area where communications were difficult. Additional expenditure was incurred for increasing the capacity of the ropeway and making standby arrangements. As Army had no experience in running of any such ropeway, the defects and deficiencies which came to light later on could not have been foreseen.

The facility of ropeway was taken over as an operational necessity. It is to be noted that the first decision to take over the ropeway was taken after the 1962 conflict and in 1967 the border situation had again hotted up. It was necessary to maintain this system irrespective of cost on account of operational necessity. Further, the roads built up to Class

9 had not stablised. As can be seen from the load carried in 1964, 1965, 1966 and 1967, substantial quantities of stores were transported at a time when road facilities had not been built up. Hence the need for cancelling the indents for additional trolleys was not examined."

1.9. Even if the contention of the Ministry that the ropeway was, and is, an operational necessity, is accepted, the Committee fail to understand why it was not possible to keep the ropeway in good working condition for use whenever needed. The Committee find that it took Government 4-6 years (1963 to 1969) to procure replacements and additional trolleys for the ropeway. This is no evidence of the seriousness of the Ministry regarding "operational necessity". It is also noted that out of a total holding of 270 trolleys, as may as 209 had been written off condemned as unserviceable leaving only 61 serviceable trolleys in August 1975. This indicates that ever since the take-over of the ropeway in 1963, it has not been in proper trim. The Committee are unable to appreciate that it was like that because the "Army has had earlier no experience in running any such ropeway". They feel that it was always possible for the Army to draw upon the experience of civil engineers who had been operating the ropeway before the Army took it over in 1963 or other civil experts and technicians who had experience in maintaining and operating ropeways.

The Committee are unable to concede the contention of the Ministry that in view of the operational requirement for the ropeway "there was no question of making an assessment of economics of the arrangements". The Committee would like to stress that operational requirements could not immunise a patently wasteful or uneconomic proposition from scrutiny either by Audit or by the PAC. If the operational requirement for the ropeway was there, it was imperative to keep the ropeway in good working condition for serving those operational needs. As it is, on the plea of 'operational requirement' considerable amounts of public money were spent and yet the facility remained by and large unusable on account of inexpert and indifferent handling. The Committee, therefore, recommend that a proper probe be expeditiously made, into the causes for not keeping the ropeway in optimum working condition from November 1963 to date and fixing responsibility therefor.

The Committee would like to be informed of the present state of the ropeway and whether it is in absolutely fit condition to meet any sudden operational requirement.

CHAPTER II

CONCLUSIONS/RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

The Committee note that in June 1956 the Defence Research and Development Organisation developed a new design of kittable body having maximum number of common components for Nissan as well as Dodge 1-Ton chassis. It was claimed that the kittable body would offer advantages in production, maintenance inter-changeability and ease of stocking in depot. The design was approved by the Army Headquarters for introduction into service in November 1966. However, it was only in October, 1967 that the Department of Defence Production in consultation with the Director General of Ordnance Factories, confirmed the switch-over from composite to kittable bodies for these vehicles from November, 1968. According to the Ministry, this time-lag was to take into account the lead time for production of the kittable bodies by the trade sources. In January 1968 the DGOF located a trade source in Messrs. Globe Motors, New Delhi and placed order on them for 1,500 number of kittable bodies. The firm could not for various reasons keep up to the schedule and could supply only 475 bodies till April 1971, when it was decided by the Department of Defence Production to refer the matter to the Department of Defence/Supplies for location of alternative sources.

[S. No. 1 Para 1.37 of Appendix to 1st Report of PAC (6th Lok Sabha)].

Action Taken

Factual. No comments.

[Min. of Defence D.O. No. PC 2(65)|72|DS dated 6-7-78]

Recommendation

The Committee further note that when some supplies from the source located by DGOF (Messrs. Globe Motors, New Delhi) had started arriving in the Vehicle Factory and these were fitted on Nis-

san 1-Ton vehicles, certain disadvantageous design features of the kittable bodies began to come to light. The design features which were reported as disadvantageous by the General Manager, Vehicle Factory in June 1972 were:

(i) Three main parts of the body were held together by bolts as against welded construction in the composite bodies.

(ii) The number of mounting stools for kittable body was only six as against twelve in the composite body.

(iii) The extra stools in case of imported chassis would need to be removed by flame cutting to suit the kittable body.

[S. No. 2 (para 1.38) of Appendix to 1st Report of PAC (6th Lok Sabha)]

Action Taken

Factual. No comments.

[Min. of Def. U.O. No. 2(65)/72/DS dated 6-7-78]

Recommendation

The General Manager is also reported to have stated that the kittable body would be costlier than the composite body by Rs. 548 per vehicle (as against Rs. 245 estimated earlier) but this did not take into account the saving by way of lower transportation cost as the vehicle would not have to be moved to the premises of the fabricators.

[S. No. 3 (Para 1.39) of Appendix to 1st Report of PAC (6th Lok Sabha)].

Action Taken

Apart from lower transportation cost other considerations were ease of repair and replacement of kittable bodies without disabling the chassis, the exact cost evaluation of which cannot be done.

[Min. of Def. U.O. No. PC 2(65)/72/DS dated 6-7-78]

Recommendation

The Committee observe that before the above disadvantages came to light, formal orders had already been placed in January 1972 by the Department of Defence Supplies on M/s Sion Garrage (P) Ltd.

Bombay for 3,000 kittable bodies (value Rs. 81.75 lakhs) and letters of intent issued to three other firms [M/s Punj Sons (P) Ltd., New Delhi, M/s Jayanand Khira and Co. (P) Ltd., Bombay and M/s New Model Industries (P) Ltd., Jullundur City] for 2,250 bodies in May, 1972. Inspite of the General Manager's request for reconsideration of the decision, the Department of Defence Supplies in consultation with the Director General, Ordnance Factories placed formal orders on the latter three firms in August 1972 (value Rs. 57.45 lakhs). However, soon thereafter in September 1972, on a further review of the matter by the Department of Defence Production and the Department of Defence Supplies, it was decided to foreclose the orders for kittable bodies except for quantities already fabricated or partly fabricated and to substitute the rest by composite bodies.

[S No. 4 (Para 1.40) of Appendix to Ist Report of PAC (6th Lok Sabha)].

Action Taken

No comments.

[Min. of Def. U.O. No. 2(65)/72/DS dated 6-7-78]

Recommendation

So far as M/s Punj Sons are concerned, the Committee find that the order for 900 kittable bodies placed in August 1972 was converted to 850 composite bodies in November, 1972. However, this firm was allowed Rs. 1,878 per body as against the lowest rate of Rs. 1,696 settled with M/s New Model Industries, Rs. 1,850 settled with M/s Sion Garage, and Rs. 1,875 with M/s Jayanand Khira and Co. The rate of Rs. 1,878 per body was allowed in this case not only for composite bodies substituted for kittable bodies (ordered by the Department of Defence Supplies) but also in respect of a further order for 1,350 composite bodies placed by the Department of Defence Production. The Committee note that the base price against this order was Rs. 1,696 on the basis of JPC prices. On the basis of steel being supplied partly from JPC and partly from open market, the unit price was determined from time to time and at one stage the price was Rs. 1,878. The other guiding factor in agreeing to this rate is stated to be that the stock position with the Vehicle Factory as in November 1972 had depleted to 150 numbers only and it was feared that the Vehicle Factory would come to a halt from January, 1973.

[Sl. No. 10 (Para 1.46) of Appendix to 1st Report of P.A.C| (6th Lok Sabha)].

Action Taken

No comments.

[Min. of Def. U.O. No. PC 2(65)/72/DS dated 6-7-78]

Recommendation

The Committee find that the indent placed in September 1969, in respect of 4 sizes of pipes, *i.e.*, 24", 30", 36" and 48" dia had to be modified a few months later since the drawings in respect of 36" and 48" pipes were not available. A revised indent was placed in March 1970 excluding these two sizes of pipes. Drawings for 48" pipes which had not been introduced in service till then could be finalised only in December, 1971. As regards 36" pipes, the Committee understand that these were introduced long ago and "their paper particulars were not available". Due to meagre requirement of such pipes, it was decided to drop procurement action for them. However, as pointed out in the Audit paragraph, procurement action in respect of the other two sizes of pipes *i.e.* 24" and 30" dia could also not be proceeded with as offers from both the indigenous firms were found to be unsuitable.

[Sl. No. 14 (Para 2.25) of Appendix to 1st Report of the PAC (6th Lok Sabha)].

Action Taken

The observation has been noted.

[Min. of Def. U.O. No. F.2(6)/77/B(W I) dated the 4th July, 1978]

Recommendation

The Committee find that the Army HQrs were initially of the view that the officers of M/s Spun Pipe India Pvt. Ltd., New Delhi, to supply according to I.S.I. specifications would meet their requirements, they changed their view then the DGS&D sought for a specific confirmation to that effect in March 1971 before placing the order. The explanation that "the indent was amended giving the revised quantities and revised cost based on the lowest quotation considering *inter-alia* that the specifications might meet the technical requirements is wholly unconvincing especially when according to the Ministry "there is nothing on record to show the basis of provision of lowest rates based on ISI specifications". The fact of the matter is that the

opinion of the Defence Inspectorate which found them to be unsuitable was obtained only after DGS&D raised the matter and not before.

[Sl. No. 19 (Para 2.30) of Appendix to 1st Report of the PAC (6th Lok Sabha)].

Action Taken

The observation has been noted.

2. However, instructions have since been issued that in case of any clarification on specifications, the confirmation shall invariably be obtained from users as well as the AHSP before the same are confirmed to the procuring agency. A copy of the instructions issued in this regard is enclosed, as Annexure.

3. DADS has seen.

[Min. of Def. U.O. No. F.2(6)/77/D(W I) dated the 4th July, 1978]

ANNEXURE

Tele 372029

27985/IND/E3 P&C 07 Jun 78

E3 P & C

PROCUREMENT OF STORES AND EQUIPMENT

Indents are placed on the procuring Agencies *viz.* DGS&D, Department of Defence Supplies based on Drawings and specifications vetted by C.I.E. Dighi Pune, A.H.S.P. for Engineer Stores:

2. Any clarification on specification as and when required by the Procuring Agencies shall, therefore, be obtained from A.H.S.P. and users before intimating the same to the procuring Agencies.

SO I E3 R&S
SO I Mat 'B'
(E 3 Provn B)/
(E3 B/M)
SO 2 Mat 'A'

Sd/- C. S. SAINI
CSO
Offg SO I E3 P&C

Recommendation

The Committee are unable to appreciate how Government have allowed the question of procurement of Pipes required for defence

to be dragged on for nearly six years without taking any conclusive action to procure them. The Committee would like that the matter should be gone into thoroughly and action as necessary taken to procure such stores as are essential for defence requirements without further delay, keeping in view the prescribed procedures.

[Sl. No. 24 (Para 2.35) of Appendix to 1st Report of the PAC (6th Lok Sabha)].

Action Taken

The Tender Purchase Committee of Ministry of Defence for Engineer Stores were able to locate indigenous source of supply of Pipe Culverts. M/s Nath Engineering Industries, Howrah, have developed the pilot samples of 30" and 48" d'a. Pipe Culverts required for the Army and the firm submitted the pilot samples on 25 January, 1978 for inspection. The sample has since been cleared on 11th May, 1978 by the Controller, Controllerate of Inspection (Engineering Equipment), Dighi, Pune for bulk production.

DADS has seen.

[Min. of Def. U.N. No. F.2(6)/77/D(W.I) dated the 4th July, 78]

Recommendation

The Committee note that a further amount of Rs. 35 lakhs was spent on the ropeway—Rs. 15 lakhs on purchase of 183 new trolleys, spares etc. and about Rs. 20 lakhs on its operation and maintenance during the period 1966—75.

[Sl. No. 27(Para 3.21) of Appendix to 1st Report of the PAC (6th Lok Sabha)].

Action Taken

Correct. This expenditure has, however, to be viewed against the operational necessity of operating the ropeway at that time.

2. DADS has seen.

[Min. of Def. U.O. No. 2(5)/77/D(W-1) dt. 5-6-78]

CHAPTER III

CONCLUSIONS/RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLIES RECEIVED FROM GOVERNMENT.

Recommendation

The Committee are unhappy over the way the project for switch-over from composite to kittable bodies for Nissan/Dodge 1-Ton chassis was handled by the concerned Departments of the Ministry of Defence. The Committee find that one of the main advantages in production, *i.e.* maximum number of common components for Nissan and Dodge 1-ton chassis had no relevance *ab initio* since it was known by that time that Dodge 1-ton chassis were not likely to be inducted into service any more. The estimated extra cost of Rs. 245 per vehicle also proved to be a gross under-estimate since the kittable body actually cost as much as Rs. 548 more than the composite body.

[S. No. 5, Para 1.41 of Appendix to 1st Report of PAC (6th Lok Sabha)].

Action Taken

The difference between the actuals and the estimated extra cost was around 10 per cent with reference to the cost of the bodies and such differences are not uncommon considering the market fluctuations and the time lag between the estimations and the actual performances.

[Min. of Def. U.O. No. PC 2(65)/72/DS dated 6-7-78]

Recommendation

The Committee take a serious view of the regrettable action of the Department in deciding to place further orders on M/s Punj Sons, M/s Jayanand Khira and M/s New Model Industries in August, 1972 inspite of the specific request of the General Manager of the Vehicle Factory for reconsideration of the decision about kittable bodies. The Committee are not convinced by the argument that "if the Department backed out of the commitment after having issued the letters of intent, it would project a very poor image of itself and

such a step would be detrimental for the ambitious development programme that had been taken in hand". The data given in para 1.24 above would show that M/s Sion Garrage had supplied only 50 kittable bodies before it was decided in September 1972 to foreclose the contract. M/s Jayanand Khira & Co., supplied in all 51 kittable bodies between March and December, 1973. No supplies were received from M/s Punj Sons and M/s New Model Industries. The Committee consider that under the circumstances Government would have been well advised not to follow-up post haste the letter of intent by firm order in August 1972 and instead negotiated the matter with the firms.

[S. No. 8 Para 1.44 of Appendix to 1st Report of PAC (6th Lok Sabha)]

Action Taken

As already explained, issue of a letter of intent commits the Government contractually and in view of this fact and in order to avoid a projection of a very poor image of the Department, it was decided to follow up the Letters of Intents with formal Supply Orders. This is to be viewed in the context that this decision was taken barely a few months after the 1971 hostilities when the Department had an ambitious development programme in hand.

[Min. of Def. U.O. No. PC 2(65)/72/DS dated 6-7-78]

Recommendation

The Committee finds that the performance of M/s Sion Garrage was singularly unsatisfactory. This is borne out by the fact that even though the price agreed to in this case was the highest as compared to that allowed to the other three firms and notwithstanding the fact that 'on account' payment of the order of Rs. 20.23 lakhs had been made to the firm in February, 1972 representing 25 per cent of the value of the order, the firm could supply only 400 kittable bodies till March 1974 out of the total of 3,000 bodies contracted to be supplied by September 1973. Even the substitute order for 2,600 composite bodies placed in November 1978 remained unexecuted and had to be cancelled. In fact, the firm is said to have diverted the raw material for the purchase of which 'on account' payment had been made, for execution of their other contracts. The Committee understand that the outstanding amount of Rs. 17.53 lakhs has since been realised together with an agreed sum of Rs. 2 lakhs as interest. The Committee consider that apart from a thorough verification of the bonafides and capabilities of the firm before giving them a large order of Rs. 81.75 lakhs, it was incumbent on the Government autho-

rities concerned to make sure that the material purchased by the firm from Government money was not diverted elsewhere. The Committee also desire that the circumstances in which an order for 3000 kittable bodies valued at Rs. 81.75 lakhs was placed on M/s Sion Garrage at a rate much higher than that allowed to other firms, for the grant of special accommodation of 'on account' payment of Rs. 20.23 lakhs to the firm and for failure to observe vigilance against diversion of scarce raw materials and take remedial measures in time should be thoroughly probed by Government with a view to fixing responsibility. The Committee need hardly point out that in view of the unbecoming performance of the firm, more particularly the unauthorised diversion of Government funds on its part, effective action should be taken to see that the firm does no again defraud the Government in other contracts.

[Sl. No. 9 Para 1.45 of Appendix to 1st Report of PAC (6th Lok Sabha)]

Action Taken

The P.A.C. has required a further examination of the following three points:—

(a) The circumstances under which order for 3,000 Kittable Bodies, valued at Rs. 81.75 lakhs, was placed on M/s Sion Garage at a rate much higher than that allowed to other firms;

(b) Circumstances under which special accommodation of 'on account' payment of Rs. 20.23 lakhs was granted; and

(c) Failure to observe vigilance against diversion of scarce raw-materials and to take remedial measures in time.

They have been examined as below:—

(a) One of the items of work entrusted to the Deptt. of Defence Supplies is the task of developing sources for supply of newly developed items. Kittable Bodies was a newly designed item, developed by the R&D for Nissan Carrier 1 Ton Vehicles being manufactured by the Vehicles Factory, Jabalpur (VFJ). The requirement of 6,600 Kittable bodies—(8,000 bodies to be supplied in 1972-73 and 3,600 to be supplied in 1973-74) was projected on the Department of Defence Supplies. They, in turn, after calling for quotations from some 19 firms, and negotiating with 8, initially issued a Letter of Intent in favour of M/s Free

India Industries, Jullundur, at a price of Rs. 2,150/- each. However, this transaction did not work out because M/s Free India were unable to operate on the price quoted by them and asked for an additional price of Rs. 650/- each. As a result, the order on them was cancelled.

The other parties were asked to rework their tenders and they quoted a fresh price as a result of which an order for 3,000 bodies was placed on M/s. Sion Garage at a price of Rs. 2,725/- as against a much higher figure quoted by them earlier.

For the balance of 1,800 Kittable bodies required, another tender enquiry was floated later as a result of which orders were placed on four firms at the price of Rs. 2,574/-, 2,575/-, 2,470/- and 2,574/- respectively. The record seems to establish that the then authorities of the Department of Defence Supplies did not feel fully confident about entrusting the entire order to the party quoting Rs. 2,470/-, the lowest among the lot, since the party was new and untried and there was some doubt about their financial capability. The rest of the Order was, therefore, parcelled out among the three remaining parties who quoted more or less the same price. It is not entirely clear whether an effort was made to reduce the price of the third party offering Rs. 2,575/- to the level of Rs. 2,574/- asked for by the others, but it is to be presumed that this marginal adjustment would have been tried and not found workable. There was also, it appears, a desire to organise multiplicity of sources for this new item.

Subsequently a decision was taken that the Kittable bodies were not suitable, and that we should revert to composite bodies. A price of Rs. 1,850/- was fixed for composite bodies in respect of the order placed on M/s. Sion Garage but supplies of this category did not materialised. Meanwhile, the supply of Kittable bodies had been stopped because the design was no longer acceptable to the DGOF.

Placing of orders at different prices is not an altogether unknown practice and is sometimes found unavoidable by procurement agencies, specially in case of newly indigenised items. Prices vary depending on the timings of the placement of orders, size of the order, capacity of firms and other factors. In response to the initial tender en-

quiry, the price of Rs. 2,725/- offered proved to be the only workable as well as acceptable offer; the letter of Intent on the other firm which had quoted a lower price had to be cancelled on account of a dispute regarding the price. The lower prices varying from Rs. 2,470/- to Rs. 2,575/- were all negotiated later against the second tender enquiry.

(b) As regards the on-account payment of Rs. 20.23 lakhs, such payments are agreed to in certain cases of contracts which are material-intensive, i.e., contracts where without support for the money requirements to procure material, a supply cannot be expected to succeed. Under the standard terms for on-account payments, the firm can procure material against the contract and obtain on-account payments to the extent of 90 per cent of the material purchased, subject to a limit upto 50 per cent of the value of the contract. For this purpose, documents for actual purchase have to be produced. By itself this term would not, therefore, have proved unusual if the contract had been completed. It may look different only because the contract itself did not materialise, which was relatable to other reasons, such as change in design etc.

(c) Once an on-account payment is made, the interests of Government are protected by a Bank Guarantee for the amount of on-account payment paid, and in case of any breach, it is up to the Government to enforce the Bank Guarantee. In this case, an attempt was made to enforce the Bank Guarantee on our coming to know of the diversion of the raw-materials but the firm obtained a 'Stay Order' from the Bombay High Court and ultimately the matter was settled out of court by payment of a sum of Rs. 17.54 lakhs plus Rs. 2 lakhs as interest. It is true that it will be difficult to fully safeguard against the possibility of diversion of raw materials once an on-account payment has been made, as the materials are held in the custody of the firms themselves and it will be difficult for inspecting agencies to keep watch over the same. For future, therefore, it has since been decided to incorporate a sub-clause in the on-account payment clause of the contracts, to the effect that the contractor will hold, in trust, the raw-materials for which on-account payment has been made, and that he would not divert the raw-materials for any other purposes. He is required to furnish a certificate

to this effect. The intention is that any violation will be treated as a breach of trust and the firm will be liable for prosecution.

The decisions on the basis of which the contracts were awarded were mostly taken by a group of officers including the then Secretary (DS), Addl. F.A. (Finance Defence) and Technical and other Representatives. In view of this and in the light of the examination undertaken as a result of the P.A.C.'s recommendations as explained above, which has been approved at a high level, it is felt that there is no need for any further examination of the above aspects.

[Min. of Def. U.O. No. PC 2(65)/72/DS dt. 6-7-78.]

Recommendation

The Committee, however, observe that about the same time (November/December 1972) the Ordnance Factory concluded contracts with two other firms (M/s. Hyderabad Allwyn and M/s. Simplex Mettalics) for 4,100 composite bodies at Rs 1,696 each (value Rs. 69.54 lakhs) plus an amount of Rs. 1.10 lakhs allowed as escalation. The Committee are not quite convinced by the argument put forth by the Ministry about the possible stoppage of production in the Vehicle Factory as a reason for agreeing to a price of Rs. 1,878 and thereabout with firms (M/s. Sion Garge; M/s. Punj Sons and M/s. Jayanand Khira & Co.) in view of the fact that agreement with three other firms M/s. New Model Industries' M/s. Hyderabad Allwyn and M/s. Simplex Mettalics were arrived at a cost of Rs. 1,696 per body at about the same time. The Committee feel that earnest efforts should have been made to bring down the price as much as possible so that it was not much higher than Rs. 1,696 which was settled to be paid to two other firms for supply of composite bodies.

[Sl. No. 11 Para 1.47 of Appendix to 1st Report of P.A.C. (6th Lok Sabha)]

Action Taken

One of the reason given for agreeing to a price of Rs. 1,878/- viz., the possible stoppage of production in VFJ will be seen to be valid in respect of M/s. Punj Sons because of the fact that up to June, 1973 there was supply only from M/s. Punj Sons and there were no supplies from M/s. Hyderabad Allwyn and M/s. Simplex Metallics to sustain the production of V.F.J.

Moreover, in the case of M/s. Punj Sons, it would have been difficult to negotiate the price other than Rs. 1,878/- which was the ruling

price at which the firm was supplying to VFJ against the direct order placed by VFJ.

As far as M/s. Sion Garage and M/s. Jayanand Khira & Co. are concerned, repeated attempts were made to persuade them to accept lower prices and in fact the senior officers of the Ministry of Defence and Ministry of Finance went to Bombay and took the opportunity to discuss the matter with these two firms and further discussions continued in Delhi after their return from Bombay. This Ministry would like to reiterate that earnest efforts were made to bring the price down as much as possible.

[Min. of Def. U.O. No. PC 2(65)/72/DS dt. 6-7-78.]

Recommendation

Another interesting aspect of the case is that the Department of Defence Supplies, the Department of Defence Production and the Ordnance Factory were concluding separate contracts for composite bodies at varying rates at about the same time. As pointed out in the Audit paragraph, this resulted in an extra expenditure of Rs. 8.4 lakhs. According to the Ministry, "procurement by three agencies was a unique event and occured on account of special circumstances of the case" and that "the possibility of procurement of composite bodies by various authorities does not exist any more". The Committee have already drawn attention in para 1.43 above to the lack of coordination between the various Departments in processing kittable bodies as a developmental item. The Committee trust that necessary lessons would be drawn from Governments experience in this case so that such costly lapses do not recur.

[Sl. No. 12 para, 1.48 of Appendix to 1st Report of P.A.C. (6th Lok Sabha)]

Action taken

As explained in reply to the querries of the P.A.C. the procurement of kittable composite bodies by three agencies was peculiar to that period. In this connection, it may be added that the Technical Committee for the indigenisation of Nissan/Shaktiman components had been formed in 1973 with the General Manager, VFJ as the Chairman which is responsible to the Department of Defence Sup-

plies, the possibility of two different agencies of the Government acting without proper coordination is not likely to recur.

[Min. of Def. U.O. No. PC 2(65)/72/DS dt. 6-7-78.]

Recommendation

The Committee note that an indent was placed by the Army HQrs on the DGS&D in September, 1969 for procurement of pipes (Culverts) of different sizes required for Engineer Theatre Stores Reserve (E.T.S.R.). The indent was accorded 'operational priority' as pipes were required urgently (by December, 1970). However, due to various acts of omission and commission the supplies did not materialise.

[Sl. No. 13(Para 2.24) of Appendix to 1st Report of PAC (6th Lok Sabha)].

Action taken

The observation has been noted.

2. It may, however, be mentioned that during 1971 operations some quantity of Pipe Culverts was available in Defence stock which was released for issue during operations. In addition standard bridging equipment like Bailey Bridges or super structure for floating bridge equipment was also made available for operations. All these standard items could be utilised for bridging small gaps and culverting. In addition to these, timber components of Bailey Bridge and ballies from Defence stocks were also available which could have been used by the troops to bridge small gaps. Since there was no Central procurement of this item during the operations, it is not possible to compute financial effect at this stage for diversion of the then existing resources made available to troops in operations.

3. DADS has seen.

[Min. of Def. U.O. No. F. 2(6)/77/D(W.I) dated the 4th July, 1978].

Recommendation

Based on a reassessment of requirements in December, 1971 a fresh indent was placed in June 1972 for 24", 30" and 48" pipes. This was received by the DGS&D only in October 1972 as it had to be routed through the Chief Inspector (Engineering Equipment), who

was asked to up-date the drawings. No specifications for any of these pipes were, however, made available. Later in February 1973, it transpired that the drawings cited in July 1972 in support of the indent were not approved through user trials.

[Sl. No. 15 (Para 2.26) of Appendix to 1st Report of the PAC (6th Lok Sabha)].

Action taken

The user trials are carried out on an equipment only when it has been developed indigenously. As the drawings were prepared by CIE Dighi, Pune, based on the available stock of Pipe Culverts which were of imported origin, the user trials as such could not be carried out. The equipment had not been developed indigenously till then. User trials can be carried out only on production of an indigenous pilot sample.

2. D.A.D.S. has seen.

[Min. of Def. U.O. No. F. 2(6)/77/D(W.I) dated the 4th July, 1978].

Recommendation

The Committee understand that when the indent was placed in June 1972, the designs for different sizes of Pipes were still not available. Some drawings made by R&D were, however, available but no user trials on culverts based on these drawings had been carried out. "The requirement of pipe culverts was urgent, as such, drawings prepared by R&D were quoted in the tender enquiry". However, the job of preparing the drawings was accorded high priority and completed in September, 1973, *i.e.*, well before opening of the tender enquiry in December, 1973.

[Sl. No. 16 (Para 2.27) of Appendix to 1st Report of the PAC (6th Lok Sabha)]

Action taken

As already explained in reply to para 2.26, the sample design of the Pipe Culverts was not available because the item was not indigenously produced. The drawings already prepared by the R&D Orgn. were from the available (imported) sample. These drawings were updated and confirmed on 3-9-1973 to the DGS&D well before the opening of tender.

2. DADS has seen.

[Min. of Def. U.O. No. F. 2(6)/77/D(W. I.) dated the 4th July, 1978]

Recommendation

It is strange that even though the requirement was urgent, the drawings in respect of 24" and 30" pipes became available only in September 1973, i.e., 4 years after the original indent was placed. Finalisation of the drawings for 48" pipes was also proceeded with in a liesurely manner and it took as many as 20 months (April 1970 to December 1971) for the Research and Development Establishment Engineers to finalise them and get them sealed with the Chief Inspector (Engineering Equipment) who is the Authority Holding Sealed Particulars.

[Sl. No. 17 (Para 2.28) of Appendix to 1st Report of PAC (6th Lok Sabha)].

Action taken

The drawings for 24" and 30" dia pipe culverts were prepared in 1964 and were available in 1969 when the indent was initially projected to DGS&D.

2. The time lag for preparation of drawings for 48" dia pipe culverts was due to the fact that the qualitative requirement and sample of 48" dia pipe culverts proposed for development had to be studied by R&D Organisation before the drawings could be prepared. These drawings are always subject to updating and revision by R&D Organisation as a result of technical feasibility studies of the product. This took time before the drawings could be finalised.

3. DADS has seen.

[Min. of Def. U.O. No. F. 2(6)/77/D(W. I.) dated the 4th July, 1978]

Recommendation

The Committee are surprised to learn that "drawings in respect of pipe culverts of 48" dia were sealed, but information with regard to 24" and 30" dia culverts is not readily available." The Committee cannot countenance any laxity in a vital matter like this and would, therefore, like the matter to be probed into in depth with a view to find out whether the drawings were actually sealed or not as per extant instructions and to fix responsibility for lapse, if any, in this regard. The Committee would also like to be apprised of the action since taken to plug the procedural/institutional loopholes, if any, so that such type of cases do not recur.

[Sl. No. 18 (Para 2.29) of Appendix to 1st Report of the PAC (6th Lok Sabha)]

Action taken

The matter has been further probed and on verification it has been found that the drawings of Pipe Culverts 24" dia as also of 30" dia were prepared in 1964 as per RDE (Engineers) Drgs. Nos. IM-0064 and IM-0063 respectively and were sealed on 13th July, 1966.

2. DADS has seen.

[Min. of Def. U.O. No. F. 2(6)/77/D(W. I.) dated the 4th July, 1978]

Recommendation

The Committee, however, observe that the Army Headquarters appear to have been from the very beginning somewhat unsure not only of the specifications of pipes but also about the actual quantity as would be seen from the wide divergence in the figures of requirements as assessed in September, 1969 and June 1972.* The Committee understand that a reconciliation of figures in September 1970 revealed that there was discrepancy in the Report submitted by the Army Statistical Organisation which necessitated amendment of the indent in February 1971. A fresh provision review carried out in December 1971, however, revealed further variation in the requirements and a fresh indent had to be formulated.

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*Relevant figures are as under:—

	September 1969 (in metres)	June 1972 (in metres)
24"	90·027	1,000
30"	12,844·185	5,000
36"	30·480	..
48"	6,862·000	2,000

[Sl. No. 20 (Para 2.31) of Appendix to 1st Report of the PAC (6th Lok Sabha)]

Action taken

The observations made by the PAC have been noted.

2. It may, however, be pointed out that the figures shown in June, 1972 do not represent the total deficiency revealed in the fresh provision review carried out in December 1971 but only the quantities to be procured during 1972-73. Further, the total deficiencies reveal-

ed were as under and it was decided to make up the same in phases during 1972-73, 1973-74 and 1974-75:—

	(Mtrs.)
(a) Pipe Culverts of dia 24"	2,503
(b) Pipe Culverts of dia 30"	11,947
(c) Pipe Culverts of dia 48"	4,878

3. DADS has seen.

[Min. of Def. U.O. No. F. 2(6)/77/D(W. I.) dated the 4th July, 1978]

Recommendation

The Committee are further informed that DGS&D had indicated that there was no indigenous source for supply of these Pipe Culverts, and as such, these could be imported for which necessary foreign exchange and DGTD clearance was required. Since the proposal of DGS&D is not acceptable, the procurement action is being initiated through Tender Purchase Committee, ESP Dte/E-in-C's Branch.

[Sl. No. 23 (Para 2.34) of Appendix to 1st Report of PAC (6th Lok Sabha)]

Action taken

Noted please.

2. The items in question had not been procured in the past by DGS&D and since both the firms on whom orders were placed by the DGS&D had failed to submit an acceptable sample, it was felt that the stores might have to be imported. It was in this context, that the Indentor was required by DGS&D to arrange for the requisite foreign exchange and DGTD clearance for further procurement action.

3. DADS has seen.

[Min. of Def. U.O. No. F. 2(6)/77/D(W. I.) dated the 4th July, 1978]

Recommendation

Another intriguing feature of the case is that there should be such wide variation in the rates at which orders were placed with M/s. Spun Pipe and Construction Company of India Ltd., Bombay, and M/s. Appliances Manufacturing Co. Faridabad (Rs. 375.90 per metre with M/s. Appliances Manufacturing Co., Faridabad as against Rs. 660.00 with M/s. Spun Pipe and Construction Company of India

Ltd. Bombay for 30" dia pipes and Rs. 714.70 as against Rs. 1475.00 per metre for 48" dia pipes). It is a moot point whether DGS&D should have thoroughly gone into the matter before agreeing to such disparate rates, as the Committee find that supplies from none of these sources materialised.

[Sl. No. 25 (Para 2.36) of Appendix to 1st Report of the PAC (6th Lok Sabha)]

Action taken

In response to tender enquiry issued by DGS&D, only 5 firms responded on 31st December, 1973. The items in question had not been purchased previously by the DGS&D. Duplicate copies of all the 5 tenders were forwarded to the Chief Inspector, Inspectorate of Engineers, Pune, for giving advise regarding technical acceptability or otherwise of the various offers. Offers of 2 firms were straightway rejected by him, being not to requirement. In respect of remaining 3 firms clarifications were called for, as suggested and replies received intimated to the Defence Inspectorate. The capacity of M/s. Shaparia Dock & Steel Co., Ltd., Bombay and that of M/s. Spun Pipe & Construction Co. of India Ltd., Bombay was duly recommended by the Defence Inspectorate. As regards the 5th firm, namely M/s. Appliances Manufacturing Co., Faridabad, they were recommended for placement of small orders only. It was further stated that being new to the field, they should be given only a trial order for 24" pipe culverts and their performance watched before placing large orders. Out of 3 recommended firms, M/s. Shaparia did not extend the validity of their offer beyond 30th March, 1974, M/s. Appliances Manufacturing Co., Faridabad had initially quoted their rates on per Kg. basis, whereas accounting unit as metre. Subsequently, on a reference from DGS&D, they submitted on 25-3-74. Their prices per metre, are as under:—

1. 24" Pipe Culvert	Rs. 313·60 per metre
2. 30" Pipe Culvert	Rs. 375·90 per metre
3. 48" Pipe Culvert	Rs. 714·70 per metre

2. Later on while extending the validity of their offer upto 30-8-1974 the firm demanded 10 per cent price increase over the quoted rates because of increase in excise duty on zinc and steel. They were prevailed upon to withdraw this price increase in a meeting held in DGS&D on 24-8-1974 but they insisted on a minimum of 60 per cent of the total quantity for each item being ordered on them. Consequently, although this firm had been recommended only for a trial order for 24" Pipe Culverts, DGS&D had to place orders for

the following quantities to comply with minimum condition of 60 per cent:—

1.	24" Pipe Culverts	217 Metres
2.	30" Pipe Culverts	3,000 Metres
3.	40" Pipe Culverts	1,200 Metres

(In respect of item No. 1 order for the full quantity was placed on the firm as the requirement was small).

3. The capacity of M/s Spun Pipe Construction Co. Bombay was recommended without any qualification, which implied that the firm was more competent technically to undertake the order. Their quoted rates were also nearer to M|s. Shaparia Dock, whose capacity had been unreservedly recommended by the Defence Inspectorate. A comparison of the quoted rates of these 2 firms is given below:—

Dia	M/s. Shaparia Dock Rs.	M/s. Spun Pipe Construction Co. Rs.
24"	575 per metre	550 per metre
30"	705 ,, ,,	660 ,, ,,
48"	1220 ,, ,,	1475 ,, ,,

4. DGS&D had no previous experience of purchage of this particular item. For assessment of the technical capability of the firms, the DGS&D relied entirely on the Defence Inspectorate, according to the prescribed procedure. DGS&D could be place orders only on the firms recommended by the Defence Inspectorate. M/s Spun Pipe Construction Co. being duly recommended were given orders. M|s Appliances had to be given somewhat large orders because of the 60 per cent stipulation made by them. No other offer was available.

5. DDAS has seen.

[Min. of Def. U.O. No. F. 2(6)/77/D(W. I) dated the 4th July, 1978.]

Recommendation

The Committee note that in November, 1963 the Ministry of Defence took over a cargo ropeway from an authority to meet operational requirements of the Army in a forward area. Although no payment was to be made for use of the ropeway, Government was liable for its maintenance. The ropeway was constructed between 1957-60 but was commissioned in 1962 only. At the time it was taken over by the Army "the ropeway was in a bad state of maintenance" 83 trolleys were in different stages of serviceability and of these only 33 were capable of being put on line. An amount of Rs. 3.56 lakhs

had to be incurred on a number of works to commission in the ropeway. These took about 3½ years to complete (November, 1963 to May, 1967).

[Sl. No. 26 (Para 3.20) of Appendix to 1st Report of the PAC (6th Lok Sabha)].

Action taken

Improvements in the ropeway, provision of additional facilities and completion of the 4th section of the ropeway were time-consuming jobs and the time taken in their completion is not considered unreasonable. In this connection, it is to be observed that even before all the improvements were made and the 4th section completed, the ropeway was being used. In 1963, 1964 and 1965, 202 tons, 3588 tons and 3600 tons were hauled at an expenditure of Rs. 0.62 lakhs, Rs. 3.62 lakhs and Rs. 1.91 lakhs respectively. The observation has been noted.

2. DDAS has seen.

[Min. of Def. U.O. No. 2(5)/77/D(W. I) dated 5-6-1978]

Recommendation

The Committee further observe that the tonnage hauled by the ropeway tapered down from 5936 tons in 1967 to 591 tons in 1972. In fact, the ropeway was used only as a standby after 1970 and operated once a week and after 1972 it was not used at all. The cost of transportation of stores by the ropeway varied enormously from year to year, ranging from Rs. 68 per ton in 1970-71 to Rs. 566 per ton in 1972-73 whereas the cost of transportation by road was worked out in July 1970 to be Rs. 60.90 per ton only. The Committee further note that the question of examining the economic viability of the ropeway was not considered by the authorities concerned and the plea put forward is that the ropeway was retained purely for operational considerations.

[S. No. 28 (Para 3.22) of Appendix to 1st Report of the PAC (6th Lok Sabha)].

Action taken

It is a fact that the tonnage hauled during 1967 was 5,936 tons and fell down to 591½ tons during 1972. This is because after 1970 the ropeway had been operated as a standby and was being used once a week only. Even though the average cost of transportation

by road worked out to be cheaper than the cost of transportation by ropeway, it was essential to keep the latter as standby to give an alternative to road transportation. Further, it has been our experience in Sikkim that newly constructed roads take several years to stabilise and the interruption of such roads due to landslides and rockfalls are very frequent in the first few years. As the years go by the incidence of rockfalls and land-slides gradually diminishes. Operational necessity naturally over-weighed other issues including economic viability. In such vulnerable strategic areas, the territorial integrity of the country could not be subjected to the economic viability of a system of transportation.

2. DADS has seen.

[Min. of Def. U.O. No. 2(5)/77/D(W. I) dated 5-6-1978]

Recommendation

As mentioned earlier, the Chief Engineer, Bengal Zone had suggested in his letter of September, 1967 that the return loads from the higher point could consist of stone ballast which could be arranged to be disposed of through contracts etc. It appears from the information made available to the Committee that though at one stage, stones were transported on a trial basis, the matter was not pursued conclusively with the result that the basic flaw in the smooth operation of the ropeway was allowed to persist.

[Sl. No. 33 (Para, 3.27) of Appendix to 1st Report of the PAC (6th Lok Sabha)].

Action taken

As indicated in reply to para 3.25, the Chief Engineer, while making the proposal to use stone ballast on the return journey as counter balancing load, had only surmised that the increase in the rate of falling down of trolleys may be attributable to the trolleys being empty on the return journey. However, the arrangements for the transportation of stone ballast as counter loads for upgoing loads involved large manpower and were not pursued due to the high cost of transportation. Besides, such arrangements were not considered feasible due to following reasons:—

(a) Scanty habitation in the area and limited availability of labour;

(b) Proximity to the international border; and

(c) Security risk involved in giving a contract to the civilians for arranging stone ballast.

2. DADS has seen.

[Min. of Def. U.O. No. 2(5)/77/D(W. I) dated 5-6-1978]

Recommendation

The Committee note that a final decision to abandon the ropeway was taken only in November 1972 after a review had revealed that the road system having been built up and "having regard to the tasks assigned to the Forces at the sector and the facilities available for keeping up supplies to the area it was found that the ropeway could be dispensed with". The Committee have no doubt that the meagre quantity of load carried by the ropeway could have been easily diverted to road and the ropeway dispensed with five years earlier in 1967 itself.

[S. No. 34 (Para 3.28) of Appendix to 1st Report of PAC (6th Lok Sabha)].

Action taken

The final decision to abandon the ropeway was not taken in 1967 both because the road had not stabilised as also for operational reasons.

2. DADS has seen.

[Min. of Def. U.O. No. 2(5)|77|D(W. I) dated 5-6-1978]

Recommendation

The Committee regret to point out that this belated decision to hand back the ropeway to the civil authorities still remains to be implemented. The Committee stress that apart from expediting the transfer of the ropeway to civil authorities, it would be advantageous to have the design and economics of the ropeway examined by experts so as to take a well informed decision in best public interest.

[S. No. 35 (Para 3.29) of Appendix to 1st Report of PAC (6th Lok Sabha)].

Action taken

The aerial ropeway has since been handed over to the Forest Department, Government of Sikkim and the transfer was completed

on 14 Feb., 78. Any further examination of the design and economics of the ropeway is not considered necessary now.

2. DADS has seen.

[Min. of Def. U.O. No. 2(5)/77/D(W. 1) dated 5-6-1978]

CHAPTER IV

CONCLUSIONS/RECOMMENDATIONS REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE GOVERNMENT AND WHICH REQUIRE REITERATION.

Recommendation

The Committee are constrained to point out that the time lag of two years from November 1966 to November 1968 between the approval of the design by the Army Headquarters and the date of switch-over proposed by the Department of Defence Production should have been utilised for conducting extensive trials on the prototypes of the new design. The Committee have no doubt that had this been done the disadvantages of the kittable body which came to light in June 1972 could have been realised much earlier.

[S. No. 6 Para 1.42 of Appendix to 1st Report of PAC (6th Lok Sabha)].

Action taken

The prototype was tried out successfully during May/June 1966 and no further trials were contemplated after introduction of kittable body in service.

[Min. of Def. U.O. No. PC 2(65)/72/DS dated 6-7-78.]

Recommendation

The Committee are indeed surprised that in case of a developmental item like this the Department of Defence Production did not bother to carry out even a cost-benefit evaluation of the change-over before giving clearance for the new design. It took four years and eight months for the Department to discover the disadvantageous features of the kittable body and the high extra cost involved. It is unfortunate that even though as many as 475 kittable bodies had been obtained through a trade source between January 1968 and April 1971, firm conclusions as to the basic utility and economics of the change-over were reached only by September 1972 by which time bulk orders for 5,250 kittable bodies had already been placed on as many as four firms. The Committee consider that if only the various Departments concerned with the project, *i.e.*, the Defence Research

and Development Organisation, the Department of Defence Supplies, the Department of Defence Production, the Director General, Ordnance Factories and the Vehicle Factory had worked in close concert and shown sufficient concern about the technical and financial implications of the change-over, the project would not have been proceeded with in this manner.

[S. No. 7 Para 1.43 of Appendix to 1st Report of PAC (6th Lok Sabha)].

Action Taken

It may, however, be mentioned that it was not possible to work out the cost benefit analysis with any exactitude. The defects in the kittable bodies came to notice only when the production of the vehicles with kittable bodies in VFJ was undertaken and action was initiated to switch back to composite bodies.

[Min. of Def. U.O. No. PC 2(65)/72/DS dated 6-7-78.]

Recommendation

The Committee observe that even after incurring an expenditure of Rs. 15 lakhs on purchase of trolleys, spares, works etc., the capacity of the ropeway could be increased only to 19/22 tons per day as against 40 tons envisaged. The actual utilisation was much less—the maximum being a bare 16 tons per day on an average in 1967. The Committee find that since the ropeway was designed on monocable system and driven by diesel engine, it required counter or balancing load for minimising sag and maintaining uniform speed of the ropeway. It was the non-availability of counter load and also because of the varying types of barrels that adequate pressure between the rope and the sheeves/pulleys could not be built up and the trolleys fell making them unserviceable. Thus, out of a total holding of 270 trolleys, as many as 209 had to be written off/condemned as unserviceable, leaving only 61 serviceable trolleys as in August, 1975.

[Sl. No. 29 (Para 3.23) of Appendix to 1st Report of the PAC (6th Lok Sabha)].

Action Taken

Army has had earlier no experience in running any such ropeway. The ropeway was designed entirely for a different purpose for ferrying commercial produce between India and Tibet. The deficiencies in operating the system came to light only as a result of examination of the situation arising out of putting more trolleys on

the ropeway. The number of trolleys written off/condemned includes normal wastages and damages in operation.

2. DADS has seen.

[Min. of Def. U.O. No. 2(5)/77/D(W. I) dated 5-6-1978]

Recommendation

So far as operational reasons for acquiring/retention of the ropeway are concerned, the Committee find that the road serving the area had been brought to proper class 9 stage by November 1966. On the other hand, the revised sanction for purchase of 183 trolleys was issued a year later *i.e.*, in December 1967. The Ministry stated that "a review in 1967 from the operational angle showed continued necessity to hold on to it and that it would be indispensable if hostilities broke out."

[S. No. 30 (Para 3.24) of Appendix to 1st Report of the PAC (6th Lok Sabha)].

Action taken

Experience has shown that newly built roads are not a very reliable means of transport in the initial stages in hilly regions and in places like Sikkim newly constructed roads take several years to stabilise, as during the earlier years of use, interruption of the roads due to land slides and rockfalls are very frequent. As the years go by, the instances of land-slides and rock falls gradually diminish. The road in question had not stabilised by 1967 and hence it used to be closed to 3-ton vehicles on a number of occasions. Operational reasons dictated the requirement of having a stand-by to the only road axis available in the area. In March, 1967, it was assessed that the ropeway would have to be retained as an operational necessity even though alternative road transport facilities were available. A similar view was taken by Military Operations Dte again in October, 68. As such the assessment for retention of the ropeway and its continued use was made on the basis of operational requirements and as long as this necessity existed, there was no question of making an assessment of economics of the arrangements.

2. DADS has seen.

[Min. of Def. U.O. No. 2(5)/77/D(W-1) dt. 5-6-78]

Recommendation

In this context the Committee would like to point out that the Chief Engineer, Bengal Zone had pointed out as early as in Septem-

ber, 1967 that "the ropeway design is based on balanced loading both on forward and reverse directions and as such, it is imperative that the return loads are also provided". The least that the Army authorities should have done was to make sure that the ropeway as designed could in fact carry the load in an assured manner to meet the operational requirements in the event of hostilities breaking out etc. The Committee need hardly point out that had this matter been gone into critically, the Army authorities would have realised that the ropeway as designed suffered from basic handicaps and that unless these were set right, it would not be prudent to invest large sums of money by ordering additional trolleys, undertaking works etc. at an expense of Rs. 15 lakhs.

[Serial No. 31 (Para 3.25) of Appendix to 1st Report of the PAC (6th Lok Sabha)]

Action Taken

The proposal to use stone ballast on the return journey as counter balancing load was mooted by CE Bengal Zone in Sept. 67 on the surmise that the increase in the rate of falling down of trolleys was attributable to the trolleys being empty on the return journey. However, the arrangements for the transportation of stone ballast as counter-loads were not considered feasible due to the high costs involved. At this time when the additional trolleys were sanctioned and orders for undertaking other works etc. were issued, considerable use of the ropeway was being made. In the circumstances, the expenditure involved on trolleys/works etc. was considered as unavoidable as this was an operational requirement.

2. The decision to take over the ropeway was taken in the context of the need to effectively ensure supplies to the forward formations in a very sensitive area where communications were difficult. Additional expenditure was incurred for increasing the capacity of the ropeway and making standby arrangements. As Army had no experience in running of any such ropeway, the defects and deficiences which came to light later on could not have been foreseen.

3. DADS has seen.

[Min. of Def. U.O. No. 2(5)/77/D(W. I) dated 5-6-1978]

Recommendation

Another aspect which the Army authorities should and ought to have fully taken into account was the development by November 1966 of the road between these two operational points by the Border Roads Organisation to the level of Class 9. Instead of investing more money in trolleys which suffered damage and became un-

serviceable due to inherent flaw in the design of the ropeway, it would have obviously been better to invest a part of this money for effecting improvements in road and/or acquiring additional road transport to meet any operational contingency. In any case, the Committee cannot see why the Army authorities did not take effective action to cancel the order for the additional 183 trolleys in 1967 after it had come to notice that the ropeway suffered from this basic design flaw and saved at least Rs. 8.76 lakhs spent on additional trolleys.

[Serial No. 32 (Para 3.26) of Appendix to 1st Report of the PAC (6th Lok Sabha)]

Action Taken

The facility of ropeway was taken over as an operational necessity. It is to be noted that the first decision to take over the ropeway was taken after the 1962 conflict and in 1967 the border situation had again hotted up. It was necessary to maintain this system irrespective of cost on account of operational necessity. Further, the roads built up to Class 9 had not stabilised. As can be seen from the load carried in 1964, 1965, 1966 and 1967, substantial quantities of stores were transported at a time when road facilities had not been built up. Hence the need for cancelling the indents for additional trolleys was not examined.

2. DADS has seen.

[Min. of Def. U.O. No. 2(5)/77/D(W. 1) dated 5-6-1978]

CHAPTER V

CONCLUSIONS/RECOMMENDATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

Recommendation

The Committee are inclined to think that the methodology of assessing the requirements leaves much to be desired. The Committee cannot too strongly emphasise the need for making a careful and realistic assessment of requirements so that procurement action is proceeded with on a firm basis. The Committee trust that the system of forecasting the requirements would be streamlined with this end in view.

[Sl. No. 21 (Para 2.32) of Appendix to 1st Report of the PAC (6th Lok Sabha)]

Action Taken

The procedure for carrying out the provision Review of Engineer Stores is exhaustive and explicit. The change in the quantity was, however, mainly due to discrepancies reported by Army Statistical Organisation. Question of entrusting the Materials Management aspect in respect of Pipe Culverts and other ETSR Stores to EDP System is being examined separately.

2. DADS has seen.

[Min of Def. U.O. No. F. 2(6)/77/D(W. 1) dt. the 4th July, 1978]

Recommendation

The Committee further observe that against the tenders invited in September 1973, two contracts were concluded with M/s Spun Pipe and Construction Company of India Ltd., Bombay and M/s Appliances Manufacturing Co., Faridabad in October 1974 at widely divergent rates. However no supplies materialised since M/s Spun Pipe and Construction Company of India Ltd., Bombay did not submit any sample while that submitted by M/s Appliances Manufacturing Co., Faridabad as late as 25th December, 1975 was rejected by the Chief Inspector (Engineering Equipment) and the firm did not submit any acceptable sample thereafter.

[Sl. No. 22 (Para 2.33) of Appendix to 1st Report of the PAC (6th Lok Sabha)]

Action Taken

The observation has been noted.

2. While M/s Spun Pipe & Construction Co. of India Ltd., Bombay did not submit any sample, the other firm, namely, M/s Appliances Manufacturing Co. Faridabad failed to submit a revised acceptable sample by the target date of 30-9-76. Contracts placed on both these firms had, therefore, to be eventually cancelled. The question of recovery of the loss suffered by Govt. from the firm M/s Appliances Manufacturing Co. Faridabad is under consideration by DGS&D, Ministry of Supply, PAO and their associated finance. Decision of Ministry of Supply is awaited. A note indicating further progress in this regard will be intimated to the PAC in due course.

3. DADS has seen.

[Min of Def. U.O. No. F. 2(6)/77/D(W. 1) dt. the 4th July, 1978]

NEW DELHI;
November 10, 1978
Kartika 19, 1978

P. V. NARASIMHA RAO,
Chairman,
Public Accounts Committee.

APPENDIX

STATEMENT OF CONCLUSIONS|RECOMMENDATIONS

Sl. No.	Para No. of the Report	Ministry/Deptt. concerned	Conclusion/Recommendation
1	2	3	4
1.	1.6	Ministry of Defence / Deptt. of Defence Supplies	The Committee find the reply of the Ministry to their recommendation in paragraph 1.42 of the Original Report, to say the least, perfunctory. The Committee had, in their recommendation, pointed out that a time-lag of 2 years from November 1966 to November 1968 between the approval of the design by the Army Headquarters and the date of switch-over proposed by the Department of Defence Production should have been utilised for conducting extensive trials on the prototypes of the new design. In reply, the Ministry have stated that "the prototype was tried out successfully during May/June 1966 and no further trials were contemplated after introduction of kittable body in service." Since the switch-over to the kittable bodies was from November 1968, the reply does not meet the point. It is precisely the non-contemplation of any trials after the approval of the design in November 1966 until its introduction in service, which has been criticised by the Committee and this holds good notwithstanding the aforesaid reply of the Government. The reply of the Ministry to the recommendation contained in para 1.43 of the original Report is merely a restatement of their

contention before the P.A.C. (1977-78) that "as regards quantifying the advantages of kittable bodies in financial terms, it is not possible to give a figure in terms of money value as a number of elements.... cannot be evaluated accurately." (of. para 1.8 of the original Report). The Committee had not accepted to this view of the Government and they observed that "in the case of a developmental item like this, the Department of Defence Production did not bother to carry out a cost benefit evaluation of the change-over before giving clearance for the new design." The reply of the Government to this observation that "it was not possible to work out a cost benefit analysis with any exactitude" appears to the Committee utterly unconvincing. The Committee reiterate that the cost benefit evaluation of the change-over before giving a clearance for the new design was possible and should have been made. The Committee, while regretting the evasive attitude of the Ministry in this case, recommend that in future before any new item/design is approved for introduction in service, a cost benefit analysis should invariably be made and its results seriously taken into consideration before taking a final decision.

2. 1.9 -Do- Even if the contention of the Ministry that the maintenance of the ropeway was, and is, an operational necessity, is accepted, the Committee fail to understand why it was not possible to keep the ropeway in good working condition for use whenever needed. The Committee find that it took Government 4—6 years (1963 to 1969) to procure replacements and additional trolleys for the ropeway. This is no evidence of the seriousness of the Ministry regarding "operational

1	2	3	4

Necessity." It is also noted that out of a total holding of 270 trolleys, as many as 209 had been written off/condemned as unserviceable leaving only 61 serviceable trolleys in August 1975. This indicates that ever since the take-over of the ropeway in 1963, it has not been in proper trim. The Committee are unable to appreciate that it was like that because the "Army has had earlier no experience in running any such ropeway". They feel that it was always possible for the Army to draw upon the experience of civil engineers who had been operating the ropeway before the Army took it over in 1963 or other civil experts and technicians who had experience in maintaining and operating ropeways.

The Committee are unable to concede the contention of the Ministry that in view of the operational requirement for the ropeway "there was no question of making an assessment of economics of the arrangements". The Committee would like to stress that operational requirements could not immunise a patently wasteful or uneconomic proposition from scrutiny either by Audit or by the PAC. If the operational requirement for the ropeway was there, it was imperative to keep the ropeway in good working condition for serving those operational needs. As it is, on the plea of 'operational requirement' considerable amounts of public money were spent and yet the facility remained by and large unusable on account of inexpert and indifferent handling. The Committee, therefore, recom-

mend that a proper probe be expeditiously made, into the causes for not keeping the ropeway in optimum working condition from November 1963 to-date and fixing responsibility therefor.

The Committee would like to be informed of the present state of the ropeway and whether it is in absolutely fit condition to meet any sudden operational requirement.

Sl. No.	Name of Agent	Agency No.
20.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	
21.	J. M. Jaina & Brothers, Mori Gate, Delhi.	
22.	The English Book Store, 7-L, Connaught Circus, New Delhi.	
23.	Bahree Brothers, 188, Lajpatrai Market, Delhi-6.	
24.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1.	
25.	Bookwell, 4, Sant Narankari Colony, Kingsway Camp, Delhi-9.	
26.	The Central News Agency, 23/90, Connaught Place, New Delhi.	
27.	M/s. D. K. Book Organisations, 74-D, Anand Nagar (Inder Lok), P.B. No. 2141, Delhi-110035.	
28.	M/s. Rajendra Book Agency, IV-D/50, Lajpat Nagar, Old Double Storey, Delhi-110024.	
29.	M/s. Ashoka Book Agency, 2/27, Roop Nagar, Delhi.	
30.	Books India Corporation, B-967, Shastri Nagar, New Delhi.	

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